

Message Text

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ACTION AID-59

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3154

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E.O. 11652 N/A

TAGS: PFOR, ECON, CE

SUBJ: SRI LANKA FOOD SITUATION: AUGUST 1975

PASS AID

REF: (A) COLOMBO 935; (B) COLOMBO 2174;

(C) STATE 160244; (D) COLOMBO 2017

SUMMARY: FOOD COMMISSIONER (FC) CONFIRMS THAT SRI LANKA WHEAT FLOUR REQUIREMENTS FULLY COVERED THROUGH DECEMBER 1975 AS REPPORED REF (A). DEPENDING UPON OUTCOME OF REVIEW OF PROVISIONAL AGREEMENT FOR COMMERCIAL PURCHASE FROM FRANCE, GSL MAY REQUIRE UP TO 100,000 MT PL 480 TITLE I WHEAT FLOUR FOR DELIVERY LAST QUARTER FY 1976. RICE SITUATION COVERED THROUGH END CY 1975 BUT SUBSTANTIAL PURCHASES SEEM INEVITABLE TO COVER LAST HALF CY 1976. END SUMMARY.

1. (A) GSL PROJECTS MORE THAN ADEQUATE WHEAT FLOUR AVAILABILITIES THOROUGH CY1975 BASED ON JULY-DECEMBER DOMESTIC MILLING PRODUCTION FROM AUSTRALIAN WHEAT OF 44,500 MT, FIRM ARRIVALS OF 205,000 MT (INCL. 100,000 MT PL 480) AND AVERAGE MOTHLY USAGE OF 40,000 MT. SUMMARY FOLLOWS FOR PERIOD JULY-DECEMER 1975:

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7/1/75 STOCK - 120,000 MT

7/1 TO 12/31 LOCAL MISSION (FROM AUSTRALIAN WHEAT) - 44,500
7/1 TO 12/31 FIRM ARRIVALS - 205,000
TOTAL AVAILABLE: - 369,500
DRAWDOWNS AT 40,000/MO. - 240,000
12/31/75 STOCK - 129,500 MT
THERE IS CLEARLY NO NEED FOR ADDITIONAL WHEAT FLOUR IN
CY 1975.

(B) FOR CY 1976, LOCAL MILLING IS PROUECTED AT
8,000 MT/MONTH AND DRAWDOWN AT 40,000 MT/MONTH. IN
JANUARY, SRI LANKA WILL RECEIVE LAST OF ITS FIRM
ARRIVALS. JANUARY PICTURE APPEARS AS FOLLOWS:
1/1/76 STOCK - 129,500 MT
AUSTRALIAN COMMERICALS - 40,000
CANADIAN GIFT - 7,500
FRG GIFT - 6,000
LOCAL MILLING - 8,000
TOTAL AVAILABLE: - 191,000
DRAWDOWNS - 40,000
1/31/76 INVENTORY - 151,000 MT

WITH ADDITION OF LOCAL MILLING OF 8,000 MT/MONTH,
THIS REPRESENTS MORE THAN FOUR-MONTH SUPPLY. TO
CARRY IT THROUGH CY 1976, GSL PLANS TO IMPORT ANOTHER
150,000 MT OF PL 480 AND/OR FRENCH FLOUR:

2/1/76 STOCK - 151,000 MT
2/2-6/30 LOCAL MILLING AT 8,000/MO - 40,000
IMPORTS (PL480 AND/OR FRENCH) - 100,000 (A)
TOTAL AVAILABLE: - 291,000
2/1-6/30 DRAWDOWNS - 200,000
6/30/76 STOCK - 91,000
7/1-12/31 LOCAL MILLING AT 8,000 - 48,000
FRENCH FLOUR - 50,000 (A)
GIFT FLOUR - 75,000
TOTAL AVAILABLE: 264,000
DRAWDOWNS AT 40,000/MO - 240,000
12/31/76 STOCK - 24,000 MT

(A) FRENCH/GSL 1975 CONTRACT INCLUDES "PROVISIONAL" AGREEMENT
FOR 150,000 MT WHEAT FLOUR IN CY 1976 PROVIDED PRICE
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AND TERMS ARE ACCEPTABLE. (1975 PURCHASE WAS 165,000
TONS AT \$330 PER TON C&F, TERMS TWO YEARS AT 8 PERCENT)
BECAUSE OF DIRE FOREIGN EXCHANGE POSITION, GSL WOULD

PREFER PL 480 WHEAT FLOUR AND IS EXAMING THIS
PROVISIONAL AGREEMENT TO SEE IF IT CAN PURCHASE
75,000 - 100,000 MT UNDER PL 480 FOR DELIVERY
FOURTH QUARTER FY 1976 AND REDUCE FRENCH FLOUR

TO 75,000 - 50,000 MT FOR DELIVERY LATTER HALF
CY 1976. GSL EXPECTS TO KNOW POSITION VIS-A-VIS
FRANCE WITHIN 15 DAYS. WILL ADVISE.

(C) FYI: FREIGHT ON AUSTRALIAN SHIPMENTS IS
PROVING HIGH AND THERE IS NO PRIOR COMMITMENT.
GSL WILL, THEREFORE, PROBABLY NOT BUY AUSTRALIAN
FLOUR IN CY 1976. END FYI.

2. (A) RICE PICTURE FOR REMAINDER CY 75,
ASSUMING MONTHLY DRAWDOWN OF 55,000 MT, APPEARS
SATISFACTORY AS FOLLOWING SUMMARY INDICATES:

7/1/75 STOCK - 170,000 MT
FROM PADDY MARKETING BOARD (PMB) - 108,500
IMPORTS - 80,500
TOTAL AVAILABLE \$ 359,000
DRAWDOWNS AT 55,000/MO - 330,000
12/31/75 STOCK - 29,000 MT

ENTIRE 250,000 MT OF PRC RICE FOR 1975 WILL HAVE
ARRIVED BY 9/30/75 AND IS INCLUDED ABOVE. GSL MAY
ASK FOR ADVANCE DELIVERIES OUT OF PRC'S 200,000 MT
OF 1976 RICE (UNDER ANNUAL RICE/RUBBER BARTER
AGREEMENT), I.E., 20,000 MT IN NOV AND 30,000 MT
IN DECEMBER, THUS RAISING 12/31/75 STOCKS TO
79,000 MT.

(B) RICE SHORTFALL DEVELOPS IN CY 1976 EVEN IF
NORMAL MAHA CROP IS REALIZED. FIGURES FOR FIRST
HALF CY 76 FOLLOW:

1/1/76 STOCK (INCL 50,000 PRC) - 79,000 MT
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PMB (ASSUME NORMAL CROP) - 100,000
IMPORTS FROM PRC - 150,000
AVAILABLE: 329,000
DRAWDOWNS AT 55,000/MO - 330,000
6/30/76 SHORTFALL - MINUS 1,000 MT

GSL WILL UNDOUBTEDLY BUY RICE TO MEET DEFICITS OF
LAST HALF CY 76. FROM INFORMAL QUERY TO PLANNING
MINISTRY, HOWEVER, GSL PURCHASE OF US RICE DOES NOT
APPEAR LIKELY AT THIS POINT OWING TO HIGHER PRICE
AND PALATABILITY PROBLEM.

3. TO INCREASE FLOUR CONSUMPTION AND TO CONSERVE RICE,
GSL CABINET HAS CONSIDERED HALVING RICE RATION TO ONE
POUND PER PERSON WEEKLY WITH MATCHING INCREASE IN

FLOUR DISTRIBUTION. FC NOW SAYS POSSIBILITY SUCH ACTION
HAS RECEDED BECAUSE RICE RATION IS POLITICALLY
INVOLABLE.
VAN HOLLEN

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